



FISCAL MEMORANDUM

HB 2262 - SB 2259

February 27, 2022

SUMMARY OF BILL AS AMENDED (014088): Entitles insurance companies that are subject to the medical loss ratio requirements set forth in the federal Patient Protection and Affordable Care Act to a credit against premium taxes collected on policies of insurance subject to the medical loss ratio requirements of 0.25 percent of premiums received by the company in the year for which the premiums are collected. Excludes the Division of TennCare's (Division) Health Maintenance Organizations (HMOs).

FISCAL IMPACT OF BILL AS AMENDED:

**Decrease State Revenue - \$8,000,092/FY22-23
\$16,903,233/FY23-24 and Subsequent Years**

Assumptions for the bill as amended:

- According to the Department of Finance and Administration, state group insurance program (SGIP) plans are not subject to premium taxes. Additionally, SGIP plans are self-funded, and therefore the medical loss ratio requirements of the Patient Protection and Affordable Care Act do not apply.
- Pursuant to Tenn. Code Ann. § 56-4-205, premium taxes are due on a quarterly basis and based on the estimated amount of gross premiums received during the prior calendar year quarter.
- The proposed legislation prohibits the credit against health maintenance organization (HMO) taxation under Tenn. Code Ann. § 56-32-124.
- The total enrollment in CY2019 for qualified health plans (QHPs) was 192,557 individuals. However, since then enrollment in QHPs has increased at an average of approximately 18,946 per year. Therefore, it is assumed that enrollment for CY2022 will be 249,395 $[192,557 + (18,946 \times 3 \text{ years})]$ the first calendar year of the credit.
- According to the Department of Commerce and Insurance (DCI), as of CY2020 the department collect taxes on approximately \$5,376,691,000 in premiums paid that year.
- The estimated enrollment for these QHPs was about 211,503 $(192,557 + 18,946)$ in 2020. Therefore, an average of \$25,421 $(\$5,376,691,000 / 211,503)$ in premiums were paid per individual. The average quarterly premium collection per individual is \$6,355.25 $(\$25,421 / 4 \text{ quarters})$.
- The first credit will be applied to the March 1, 2023 payment. The estimated quarterly credits through FY23-24 are as follows:

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Payment Due	Average Enrollment Growth	Enrollment	Average Premium Paid Per Enrollee	Total Premiums for Tax to be Collected	0.25% of Premium Tax
1-Mar-23		249,395	\$ 6,355.25	\$ 1,584,967,574	\$ 3,962,419
1-Jun-23	4736.5	254,132	\$ 6,355.25	\$ 1,615,069,215	\$ 4,037,673
20-Aug-23	4736.5	258,868	\$ 6,355.25	\$ 1,645,170,857	\$ 4,112,927
1-Dec-23	4736.5	263,605	\$ 6,355.25	\$ 1,675,272,499	\$ 4,188,181
1-Mar-24	4736.5	268,341	\$ 6,355.25	\$ 1,705,374,140	\$ 4,263,435
1-Jun-24	4736.5	273,078	\$ 6,355.25	\$ 1,735,475,782	\$ 4,338,689

- The estimated decrease in premium tax collections in FY22-23 is estimated to be \$8,000,092 (\$3,962,419 + \$4,037,673).
- The estimated decrease in premium tax collections in FY23-24 and subsequent years is estimated to be \$16,903,233 (\$4,112,927 + \$4,188,181 + \$4,263,435 + \$4,338,689).

IMPACT TO COMMERCE OF BILL AS AMENDED:

Decrease Business Expenditures - \$8,000,092/FY22-23
\$16,903,233/FY23-24 and Subsequent Years

Assumption:

- Insurers that are subject to the medical loss ratio requirement would experience a decrease in premium tax liabilities, resulting in a decrease in business expenditures of \$8,000,092 in FY22-23 and \$16,903,233 in FY23-24 and subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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